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AS AMENDED

By: Treat of the Senate

and

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[ oil and gas - title of act - definitions -
effective date ]
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SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, as last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section 87.6), is amended to read as follows:

Section 87.6. A. Sections 87.6 through 87.9 of this title shall be known and may be cited as the "~~2011 Shale Reservoir~~ Extended Lateral Horizontal Well Development Act".

B. As used in ~~the 2011 Shale Reservoir Development Act~~ this
act:

1. "Allocation factor" means the percentage of costs, production or proceeds allocated to a unit affected by a multiunit horizontal well;

2. "Application" means a written request filed by an owner of the right to drill seeking approval to drill, complete and produce a

1 multiunit horizontal well or to create a horizontal well
2 unitization;

3 3. "Associated common source of supply" means a common source
4 of supply which is subject to a drilling and spacing unit formed by
5 the Corporation Commission and located in all or a portion of the
6 lands in which the completion interval of a multiunit horizontal
7 well is located, or which is located within the boundaries of a unit
8 created through a horizontal well unitization, ~~and which is~~
9 ~~immediately adjoining the shale common source of supply in which the~~
10 ~~completion interval of the horizontal well is located, and which is~~
11 inadvertently encountered in the drilling of the lateral of such
12 horizontal well when such well is drilled out of or exits, whether
13 on one or multiple occasions, ~~such shale~~ any common source of
14 supply;

15 4. "Commission" means the Corporation Commission;

16 5. "Completion interval" means, for an open hole completion in
17 a horizontal well, the interval from the point of entry to the
18 terminus and, for a cased and cemented completion in a horizontal
19 well, the interval from the first perforations to the last
20 perforations;

21 6. "Horizontal well" means a well drilled, completed, or
22 recompleted with one or more laterals which, for at least one
23 lateral, the horizontal component of the completion interval exceeds
24 the vertical component of the completion interval and the horizontal

1 component extends a minimum of one hundred fifty (150) feet in the
2 formation;

3 7. "Horizontal well unitization" means a unitization for a
4 shale reservoir created pursuant to Section 87.9 of this title;

5 8. "Horizontal component" means the calculated horizontal
6 distance from the point of entry to the terminus;

7 9. "Lateral" means the portion of the wellbore of a horizontal
8 well from the point of entry to the terminus;

9 10. "Marmaton common source of supply" means a common source of
10 supply located within Texas and Beaver Counties and designated as
11 the Marmaton by the Commission through rule or order;

12 11. "Multiunit horizontal well" means a horizontal well in a
13 targeted reservoir wherein the completion interval of the well is
14 located in more than one unit formed for the same targeted
15 reservoir, with the well being completed in and producing from such
16 targeted reservoir in two or more of such units;

17 12. "Plan of development" means the proposed plan for
18 developing the shale reservoir unitized pursuant to Section 87.9 of
19 this title, which plan, based upon the information and knowledge
20 then available to the applicant, shall include:

- 21 a. a map or maps indicating the location of each existing
22 well in the proposed unit and the anticipated location
23 of each horizontal well proposed to be drilled in the
24 proposed unit that is anticipated to be necessary,

1 based upon the information and knowledge then
2 available to the applicant, for the full and efficient
3 development and operation of the proposed unit for the
4 recovery of oil and gas from the shale reservoir
5 within the proposed unit,

6 b. any applicable proposed allocation factor or factors
7 for allocating the costs, production and proceeds from
8 the proposed unit,

9 c. the anticipated timing and anticipated sequence of
10 drilling of each horizontal well in the proposed unit,
11 and

12 d. any other specific terms, provisions, conditions and
13 requirements set forth in Section 87.9 of this title
14 or determined by the Commission to be reasonably
15 necessary or proper to effectuate or accomplish the
16 purpose of Section 87.9 of this title;

17 13. "Point of entry" means the point at which the borehole of a
18 horizontal well first intersects the top of the targeted reservoir;

19 14. "PRSA" means the Production Revenue Standards Act;

20 15. "Shale reservoir" means a common source of supply which is
21 a shale formation that is so designated by the Commission through
22 rule or order, and ~~shall~~ may also for good cause shown, include any
23 associated common source of supply in relation thereto, as defined
24 in this section;

1 16. "Targeted reservoir" means any shale reservoir or any
2 portion of the Marmaton common source of supply or any other common
3 source of supply which has been:

4 a. designated by the Commission through a rule or
5 emergency rules a common source of supply that is
6 suited for development through a multiunit horizontal
7 well, or

8 b. determined by the Commission as part of the order
9 approving the multiunit horizontal well as a common
10 source of supply that is appropriately suited for
11 development through a multiunit horizontal well for
12 that particular application.

13 In designating or determining whether a particular common source
14 of supply should be considered a targeted reservoir, the Commission
15 may limit its designation to certain geographical areas;

16 17. "Terminus" means the end point of the borehole of a
17 horizontal well;

18 18. "Wellbore royalty interest" means, for each separate
19 multiunit horizontal well, the sum of resulting products of each
20 affected unit's royalty share for that unit, as defined by the PRSA,
21 multiplied by that unit's allocation factor for production and
22 proceeds;

23 19. "Wellbore royalty proceeds" means the proceeds or other
24 revenue derived from or attributable to any production of oil and

1 gas from the multiunit horizontal well multiplied by the wellbore
2 royalty interest;

3 20. "Unit" means a drilling and spacing unit for a single
4 common source of supply created pursuant to Section 87.1 of this
5 title or ~~a horizontal well unitization~~ an extended lateral
6 horizontal unit created pursuant to Section 87.9 of this title;

7 21. "Unit's royalty contribution factor" means the royalty
8 share for an affected unit, as defined by PRSA, multiplied by that
9 unit's allocation factor, then divided by the total wellbore royalty
10 interest; and

11 22. "Vertical component" means the calculated vertical distance
12 from the point of entry to the terminus.

13 SECTION 2. AMENDATORY 52 O.S. 2011, Section 87.7, is
14 amended to read as follows:

15 Section 87.7. Corporation Commission Jurisdiction.

16 The Corporation Commission shall have jurisdiction, upon the
17 filing of a proper application therefor, to permit the drilling,
18 completing and producing of a multiunit horizontal well in
19 conformity with Section 4 87.8 of this ~~act~~ title, or to create a
20 horizontal well unitization in conformity with Section 5 87.9 of
21 this ~~act~~ title, if the Commission finds that the multiunit
22 horizontal well or the horizontal well unitization will prevent
23 waste and will protect the correlative rights of the owners of oil
24 and gas rights.

SECTION 3. This act shall become effective November 1, 2017.

COMMITTEE REPORT BY: COMMITTEE ON ENERGY
March 2, 2017 - DO PASS AS AMENDED